Allianz Life Dynamic Growth Fund

Investment Objective

An open-ended investment fund which aims to achieve superior capital appreciation over the medium to long term period by investing in a diversified portfolio of stocks with an emphasis on small-to-medium sized companies.

Investor Profile

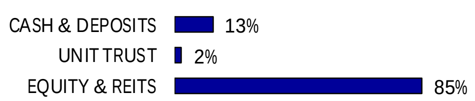
The fund is suitable for investors who seek superior capital appreciation, have high risk tolerance and have medium to long term investment horizon.

Performance Indicator

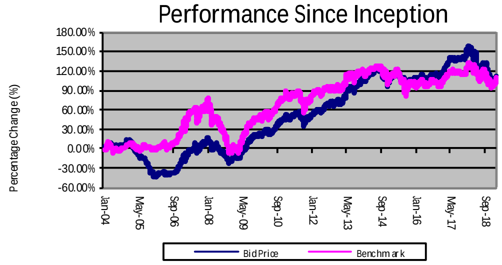
	Dynamic Growth Fund	Benchmark: FBM Emas*
1 month	2.65%	1.42%
6 months	-9.17%	-7.02%
1 year	-17.65%	-10.53%
3 years	0.97%	2.82%
5 years	-1.32%	-6.65%
10 years	139.40%	102.27%
YTD	5.13%	2.60%
Since Inception (Annualised)	4.99%	4.84%

* Source: Bloomberg.
The above performance is calculated in Ringgit Malaysia on a NAV-to-NAV basis. It is strictly the performance of the investment fund and not the returns earned on the actual premiums paid of the investment-linked product. Past performance is not an indication of future performance.

Portfolio Composition by Asset Type



Performance Since Inception



Key Fund Facts

Fund Size	RM85.808 million
Risk Profile	High
Launch Date	8th December 2003
Fund Currency	Ringgit Malaysia
Investment Manager	Allianz Life Insurance Malaysia Berhad
Pricing Frequency	Daily
Price per Unit[1] - Bid (as at 28th February 2019)	2.090
Management Fee	1.42% p.a
Other Charges[2]	Include but not limited to government tax, auditor fee, custodian fee, & transaction charge

1. The price per unit of the Fund is the total market value of assets in the Fund divided by the total number of units of the Fund. To ensure fair treatment to all unit holders, transaction costs of acquiring and disposing of assets of the Fund are recouped by making a dilution or transaction cost adjustment to the NAV per unit of the Fund. Allianz Life Insurance Malaysia Berhad retains the right to suspend issuance or redemption of units of the Fund under exceptional circumstances, e.g. temporary closure of any stock exchange, as disclosed in the fund brochure.
2. Expenses directly related to and necessary in operating the Fund.

Top Holdings (Equities)

Top Holdings (Equities)	% NAV
MALAYAN BANKING BERHAD	7.41%
TENAGA NASIONAL BERHAD	6.79%
CIMB BERHAD GROUP	5.87%
AXIATA GROUP BERHAD	3.87%
PETRONAS CHEMICALS GROUP BERHAD	3.48%

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February 2019

Market Review & Outlook

Allianz

Bond Market Review

US Treasury (UST) posted a modest negative return in February as the yield curve steepened slightly at the longer end. Yields were up 6-9bps mom due to upward pressure from the weaker ISM manufacturing and CPI data. Feb's ISM manufacturing index expanded at a slower-than-expected pace of 54.2 (survey: 55.8, Jan: 56.6), which is the lowest level in more than two years, following the decline in new orders, employment and prices. US CPI on the other hand were unchanged for a third straight month in January (survey: 0.1% mom) as cheaper gasoline price offset the increases in food cost and rents.

In Malaysia, the MGS yield curve bull flattened as the 3y-7y yields trended lower by 3-4bps mom, the 10y-15y yields fell 12-18bps mom and the 20y-30y yields fell 7-8bps mom. Support came from offshore players as foreign funds turned net buyers in February with an inflow of RM4.5b. This completely reversed the outflow of RM2.3b seen in January, bringing YTD inflow to RM2.2b. The inflows were in-line with regional flows observed in the broader EM debt markets with foreign share of MGS increased to 38.3% from 37.6% in January. MYR continued to strengthen against the USD to 4.0658 as of end-Feb from 4.0953 as of end Jan, driven by positive portfolio flow as inflows into the domestic debt securities (+RM4.5b) was more than enough to offset the outflow seen in the domestic equities market (-RM0.8b). Malaysia's 4Q18 GDP expanded above expectations at 4.7% yoy (survey: 4.5% yoy, 3Q18: 4.4% yoy) attributable to stronger external sector performance and robust private consumption. Meanwhile, January's CPI decreased 0.7% yoy due to lower fuel prices in the transport sector which marked the first decline in Malaysia's CPI in over a decade.

Bond Market Outlook

We expect market tone to remain volatile with the downside risks stemming from continuous UST rate hike(s), prolonged US-China trade disputes, and domestic policy uncertainties which will impact on bond supply and corporate results. Meanwhile, we expect the overnight policy rate to remain unchanged at 3.25% for 2019 but we do not discount the possibility of a rate cut should GDP growth trend lower than expected. We would continue to remain cautious of possible bond market volatility arising from both local and global developments. We are more inclined to accumulate bonds skewing towards high quality and liquid names.

Equity Market Review

The strong global equity market started in Jan 2019 and continued in the month under review as the MSCI World Index rose by +2.83% mom. Overall global market sentiment was buoyed by constructive developments in the US – China trade talk as evidenced by the indefinite postponement of the scheduled 1 Mar 2019 deadline for a US tariff hike. The Dow Jones Index rose by +3.67% mom as the US economy appeared to be resilient. This was despite the recent partial government shutdown as evinced by the expansionary US composite Purchasing Managers' Index (PMI) which rose to 55.8. In addition, the Federal Open Market Committee (FOMC) in its Jan 2019 minutes, reaffirmed the market's read of the Fed's gravitation towards a 'patience' as the Fed had opted to moderate the pace of their balance sheet reduction. In the Eurozone, the Stoxx 50 managed to climb +4.39% mom despite easing economic momentum as reflected by their manufacturing index which dipped below 50, denoting a contraction. Also, an ECB Executive Board member, Benoit Coeure, had revealed that they were considering another round of stimulus by way of offering banks new long term loans to help support the flagging Eurozone economy. China's Shanghai Composite Index also surged +13.79% mom in spite of the contracting manufacturing PMI at 49.2 vs. 49.5 a month ago. As it turned out, the Fed's dovish stance and the prospect of a de-escalation in the US – China trade war coupled with the economic stimulus measures by the Chinese government proved to be strong market catalysts.

Brent oil price continued its upward trajectory, growing by +6.7% mom to USD66.03/ bbl. The positive momentum was fuelled by progressive US – China trade war negotiations and a supply shortage caused by the partial closure of Saudi Arabia's Safaniya, the world's largest offshore oilfield, during the month under review. On the other hand, crude palm oil (CPO) price fell by 13.0% mom to RM1915/ MT after a surge in the previous month as CPO supply still remained elevated.

Over in ASEAN, most equity markets, save Indonesia, had benefitted from the positive sentiments arising from the Chinese market stimuli as well as the expectation of a de-escalation of the US – China trade war. The FBMKLCI rose by +1.44% mom as 4Q18 GDP registered a +4.7% yoy growth driven by private sector activity and a rebound in exports of goods and services. The country's international reserve was also in good position as it had risen +0.9% YTD to USD102.3b as at 15 Feb 2019 which was sufficient to support 7.3 months of retained imports and was 1.0x the total short term external debt. However, its economy deflated for the first time in Jan 2019 since the 2009 global financial crisis due to the lower oil prices. The Fed's dovish shift had helped to strengthen the RM to RM4.0658: USD1.00 from RM4.0953: USD1.00 in Jan 2019. Nevertheless, foreign net equity outflow during the month was RM0.8b lowering the YTD foreign net equity inflow to only RM208.4m. Singapore's Straits Times Index rose by +0.71% mom despite Industrial production falling 3.1% yoy in Jan 2019 while its Jan 2019 NODX fell by 10.1% yoy, its biggest drop since Oct 2016, and 5.7% mom. The Stock Exchange of Thailand climbed +0.72% mom as Thailand's private investment index rose +5.6% mom driven by commercial car sales, import of capital goods and construction activities. It also enjoyed a Jan 2019 current account surplus to the tune of USD2.3b. Lastly, Jakarta Composite Index reversed its uptrend with a 1.37% mom drop. Bank Indonesia had decided to leave the 7 day reverse repo rate at 6.0% and also announced that measures would be taken to boost the economy and make up for the monetary tightening measures undertaken in 2018.

Equity Market Outlook

Amid the abovementioned factors such as the potential de – escalation of the US – China trade war, dovish shift of global central banks and the recovery in oil price, we will continue our cautiously optimistic appraisal of the Malaysian equity market. Our GDP growth rate should benefit from the rebound in oil prices and the government's efforts in stimulating the economy via the resumptions of several stalled construction projects with significant multiplier effects such as the LRT3, MRT2 and potentially the East Coast Rail Link, albeit at revised lower costs. Without doubt, these measures, once implemented, would in turn lead to better overall corporate earnings in the coming quarters. We will maintain our bottom–up approach to select fundamentally good equity investments for the longer term. However, we are also cognizant of the possibility that the relatively positive exogenous factors may change and therefore will periodically review and realign our investment direction so as to be in step with the changing market environment.

Investment Strategy & Approach

The investment approach would be a combination of 1) Top down analysis of the macroeconomic environment to determine asset allocation and sector exposure strategy and 2) Rigorous bottom up analysis which includes value analysis and financial analysis, to select individual stocks/credits to generate alpha return.

Investors should realize that there are risks of investing in the Funds as listed below:-

- **Market Risk** – The value of the Fund's investment assets may be affected by changes in economic fundamentals, interest rate movement, regulatory policy, political and industrial developments. These market factors may result in fluctuations in the value of the Fund's investment assets. This risk may be mitigated by ensuring a rigorous review of macroeconomic factors and asset allocation strategy.

- **Interest Rate Risk** – Interest rate risk arises when the value of the securities fluctuates due to interest rate movement. As prices of bonds move inversely with the interest rates, prices of bonds will decline when interest rate rise and vice-versa. Debt securities with longer maturity and lower coupon rate are more sensitive to interest rate changes. This risk may be mitigated by rigorous review of asset allocation and duration strategy.

- **Country/foreign investment risk** – This risk refers to the risks of investing in foreign markets. The value of the foreign investment assets directly or indirectly held by the Fund may be affected by country-specific factors, such as the country's economic fundamentals, social and political stability and regulatory policy. This risk may be mitigated by ensuring a rigorous review of macroeconomic factors and asset allocation strategy.

- **Sector Risk** – The value of the Fund's investment assets may be adversely affected by the changes in sector-specific factors, such as the business condition, industry outlook and demand/supply dynamic of the industry. This risk may be minimized through portfolio diversification and control on sector concentration risk.

- **Company specific Risk** – The value of the assets in particular of securities and money market instruments may be affected by company-specific factors, such as business situation, financial condition and corporate governance of the company.

- **Credit Risk** – The creditworthiness (solvency and willingness to pay) of the issuer of a fixed income security, counterparty to a derivative contract or money market instrument may subsequently fall. This usually leads to a decrease in the price of the asset greater than that caused by general market fluctuations. This risk is minimized through portfolio diversification, stringent credit selection and control on sector concentration risk.

- **Currency Risk** – For foreign investment, fluctuations in currency exchange rates may have an impact on the value of the Fund's investment assets. This risk may be minimized by engaging in foreign currency hedging.

- **Dividend Policy Risk –** This risk may occur when there is a significant deterioration in a company's business or if there is a change in management policy resulting in a reduction or removal of the company's dividend policy. Such risk is particularly relevant to a fund that focuses largely on dividend yielding stocks. This risk can be mitigated by investing mainly in companies with consistent historical record of paying dividends, companies operating in fairly stable industries or companies with strong cash flows.

- **Liquidity risk** – If an asset has insufficient liquidity, there is the risk that the asset cannot be sold or can only be sold at a significant discount to the purchase price. The lack of liquidity of an asset may cause its purchase price to increase significantly.

- **Risk of Non-Compliant with Shariah Requirements** – For Shariah-approved funds, there is the risk that the fund may hold securities which are Shariah non-compliant due to "Shariah-compliant securities" which are subsequently considered "Shariah non-compliant" and Investment in Shariah non-compliant securities.

Overall, on top of regulatory limits imposed by Bank Negara Malaysia, we have put in place tight internal investment limits for all asset class with oversight by risk officer to ensure that the Fund does not take on excessive risk, albeit we cannot guarantee the total elimination of risks associated with investing in the Fund.

Meanwhile, on the investment management of Master Funds, Master funds* are introduced to operate as a centralised investment vehicle for the Funds. It has its own NAV but it is not offered to the public. The objective of creating Master funds is to consolidate all different investment funds which have the same investment mandates and return objectives. Such consolidation aims to enhance the efficiency in investment management.

*(Allianz Life Master Equity Fund, Allianz Life Master Bond Fund, Allianz Life Master Dividend Fund, Allianz Life Master Dana Equiti and any other Allianz Life Master Funds)